

HOUSING AUTHORITY OF RAYVILLE

**REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED SEPTEMBER 30, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/26/03

Mike Estes, P.C.
A Professional Accounting Corporation

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MEMBER
AMERICAN BOARD CERTIFIED
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Independent Auditor's Report

Board of Commissioners
Housing Authority of Rayville
Rayville, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Rayville, Louisiana at and for the year ended September 30, 2002, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Rayville, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose combined financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Rayville, Louisiana as of September 30, 2002, the results of its operations, changes in its total net assets and statement of cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2003 on our consideration of Housing Authority of Rayville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part on an audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Rayville, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mike Estes, P.C.
Fort Worth, Texas
January 21, 2003

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
ENTERPRISE FUNDS
COMBINED BALANCE SHEET

YEAR ENDED SEPTEMBER 30, 2002

ASSETS

Current assets

Cash and cash equivalents	\$ 57,220
Investments	131,430
Accounts receivable (net of allowance for doubtful accounts of zero)	6,470
Interest receivable	154
Interfund receivable	7,810
Prepaid items and other assets	9,405
Inventory	1,500

Total Current Assets	213,989
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Restricted Assets

Tenant deposits	10,342
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Fixed Assets

Land, buildings, and equipment (net)	2,934,895
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TOTAL ASSETS	3,159,226
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LIABILITIES AND FUND EQUITY

Current Liabilities

Accounts payable	49,158
Compensated absences payable	1,172
Deferred revenue	113
Interfund payable	7,810
Accrued PILOT	7,788

Total Current Liabilities	66,041
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Current Liabilities Payable from Current Restricted Assets

Deposits due others	10,342
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Noncurrent Liabilities

Compensated absences payable	10,544
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Total Liabilities	86,927
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Fund Equity

Contributed capital	2,533,114
Retained earnings:	
Unreserved	539,185

Total Fund Equity	3,072,299
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TOTAL LIABILITIES AND FUND EQUITY	\$ 3,159,226
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The Notes to the Financial Statements are an integral part of these statements.

EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2002

OPERATING REVENUES	
Dwelling rental	\$ 104,757
Other	3,089
	<hr/>
Total revenues	107,846
	<hr/>
OPERATING EXPENSES	
Administration	111,708
Tenant services	597
Utilities	24,898
Ordinary maintenance & operations	130,263
General expenses	35,336
Nonroutine maintenance	2,281
Depreciation	143,374
Housing assistance payments	259,176
	<hr/>
Total operating expenses	707,633
	<hr/>
Income (loss) from Operations	(599,787)
	<hr/>
Non operating revenues (expenses)	
Interest earnings	4,481
Federal grants	827,944
	<hr/>
Total Non-operating revenues (expenses)	832,425
	<hr/>
NET INCOME (LOSS)	232,638
	<hr/>
Depreciation on fixed assets acquired by contribution	143,374
	<hr/>
Increase in retained earnings	376,012
	<hr/>
RETAINED EARNINGS AT BEGINNING OF YEAR	163,173
	<hr/>
RETAINED EARNINGS AT END OF YEAR	539,185
	<hr/>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR	2,676,488
Depreciation transferred from retained earnings	(143,374)
	<hr/>
CONTRIBUTED CAPITAL AT END OF YEAR	2,533,114
	<hr/>
FUND EQUITY, END OF YEAR	\$ 3,072,299
	<hr/>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (599,787)
Adjustments to reconcile net income (loss) to	
Net cash provided by operating activities	
Depreciation	143,374
Changes in operating current assets and liabilities:	
Increase in accounts receivables	(6,431)
Decrease in interest receivable	4,071
Decrease in interfund receivables	152,967
Increase in prepaid items and other assets	(2,306)
Decrease in accounts payables	(119,949)
Increase in deposits due others	580
Increase in deferred revenue	65
Decrease in accrued PILOT	(5,590)
Decrease in interfund payable	(152,967)
Increase in liability for compensated absences	79
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u>(585,894)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	<u>460,944</u>
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>460,944</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	367,000
Construction costs and purchase of equipment	(369,170)
Increase in compensated absences long term	<u>704</u>
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Decrease in investments	169,153
Increase in restricted assets	(580)
Interest earnings	<u>4,481</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>173,054</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46,638
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>10,582</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 57,220</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

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HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general-purpose financial statements of the Housing Authority of the City of Rayville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:391) of the state of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the City of Rayville, serve staggered multi-year terms.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had 100 units in Low Rent management in one project. It also manages 80 units of Section 8 New Construction under program FW-2169.

Program	Contract Number	Number Of Units
PHA owned housing	FW-1276	100
New Construction	FW-2169	80

B. REPORTING ENTITY GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a *primary government*, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the City of Rayville since the City of Rayville appoints a voting majority of the Housing Authority's governing board. The City of Rayville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

impose financial burdens on, the City of Rayville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Rayville.

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are fiscally dependent on the Housing authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

C. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 20, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1989.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

D. BUDGETS

General Budget Policies The following summarizes the budget activities of the Housing Authority during the year ended September 30, 2002:

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

E. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the Housing Authority may invest in United States bonds, treasure notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are state at the lower of market or cost.

F. INVESTMENTS Investments are limited by R.S. 33:2955 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/permitted as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider markets rates, are reported using a cost-based measure.

The Housing Authority reported at amortized cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. INVENTORY AND PREPAID ITEMS All inventory items are valued at cost using first-in, first-out method. Inventory is recorded using the purchase method. At year-end the amount of inventory is recorded for external financial reporting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

I. FIXED ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Interest costs during construction have not been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	40 years
Building improvements	15 years
Furniture and fixtures	3 to 7 years
Computers	3 years

J. COMPENSATED ABSENCES The Housing Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. DEFERRED REVENUES The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

L. USE OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts off revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS At September 30, 2002 the Housing Authority has Cash equivalents, and investments totaling \$198,992 as follows:

Cash on hand	\$	50
Demand deposits		22,291
Interest-bearing demand deposits		45,221
Time deposits		131,430
Total	\$	<u>198,992</u>
Cash and cash equivalents	\$	57,220
Cash and cash equivalents – restricted		10,342
Investments		131,430
Total	\$	<u>198,992</u>

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2002, the Housing Authority's carrying amount of deposits was \$198,942 and the bank balance was \$202,477. Of the bank balance, \$156,107 was covered by federal depository insurance (GASB Category 1). The remaining \$46,370 was collateralized with securities held by the pledging financial institution's trust department or agent but in the Housing Authority's name (GASB Category 2).

Investments during the year were solely in time deposits at banks.

NOTE 3 – RECEIVABLES the receivables of \$6,470 at September 30, 2002, are as follows:

<u>Class of Receivables</u>		
Federal sources:		
Grants	\$	<u>6,470</u>
Total	\$	<u>6,470</u>

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

NOTE 4 – FIXED ASSETS The changes in general fixed assets are as follows:

	Balance 9/30/01	Additions	Deletions	Balance 9/30/02
Land and buildings	\$ 3,901,627	\$ 0	\$ 0	\$ 3,901,627
Furniture and equipment	97,957	10,599	14,879	93,677
Construction in progress	36,676	358,571	0	395,247
Total	4,036,260	369,170	14,879	4,390,551
Less: accumulated depreciation				
Buildings	1,291,947	128,960	0	1,420,907
Furniture and equipment	35,214	14,414	14,879	34,749
Total	1,327,161	143,374	14,879	1,455,656
Fixed assets, net	\$ 2,709,099	\$ 225,796	\$ 0	\$ 2,934,895

NOTE 5 – RETIREMENT SYSTEM The Housing Authority participates in a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Participants in the plan do not make a monthly contribution. The employer is required to make monthly contributions equal to 8 percent of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. The Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

The Housing Authority's contributions were calculated using the base salary amount of \$84,462. The Housing Authority made the required contributions of \$6,759 for the year ended September 30, 2002, of which \$6,759 was paid by the Housing Authority. No payments were made out of the forfeiture account.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

NOTE 6 – ACCOUNTS PAYABLE The payables of \$49,158 at September 30, 2002, are as follows:

Trade payables	\$	5,024
Payroll withholdings		3,039
Federal grants		41,095
	\$	<u>49,158</u>

NOTE 7 – COMPENSATED ABSENCES At September 30, 2002, employees of the Housing Authority have accumulated and vested \$11,716 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. These amounts are recorded as liabilities in the funds from which payment will be made. \$1,172 are short-term liabilities.

NOTE 8 – GENERAL LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended September 30, 2002.

		Compensated Absences
Balance, 9/30/01	\$	9,840
Additions		704
Balance, 9/30/02	\$	<u>10,544</u>

NOTE 9 – COMMITMENTS AND CONTINGENCIES The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996. These programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES At September 30, 2002, the New Construction and the Capital Fund programs owed \$1,340 and \$6,470, respectively, to the Low Rent program.

NOTE 11 – SUBSEQUENT EVENTS On December 11, 2002, loss was suffered by the PHA in an early morning fire. The total repair cost to the building will be approximately \$59,300, of which approximately \$11,000 is not covered by insurance. The total replacement cost to equipment will be approximately \$28,000, of which approximately \$19,000 will not be reimbursed by insurance.

SUPPLEMENTARY INFORMATION

EXHIBIT E

HOUSING OF THE CITY OF RAYVILLE
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED SEPTEMBER 30, 2002

1. The Actual Modernization Costs are as follows:

	<u>2000 Capital Funding</u>	<u>2001 Capital Funding</u>
Funds approved	\$ 196,604	\$ 200,602
Funds expended	<u>196,604</u>	<u>200,602</u>
Excess of funds approved	<u>\$ 0</u>	<u>\$ 0</u>
 Funds advanced	 \$ 196,604	 \$ 200,602
Funds expended	<u>196,604</u>	<u>200,602</u>
Excess of funds advanced	<u>\$ 0</u>	<u>\$ 0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated April 4, 2002 and July 25, 2002 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133

Housing Authority of Rayville
Rayville, Louisiana

We have audited the compliance of the Housing Authority of Rayville, Louisiana with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2002. The Housing Authority of Rayville, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of Rayville, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Rayville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Rayville, Louisiana's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of Rayville, Louisiana's compliance with those requirements.

As described in item Audit Finding 02-01 in the accompanying schedule of findings and questioned costs, the Housing Authority of Rayville, Louisiana, did not comply with requirements regarding Special Tests and Provisions requirement that is applicable to its Section 8 New Construction major federal program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of Rayville, Louisiana, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of Rayville, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002.

Internal Control Over Compliance

The management of The Housing Authority of Rayville, Louisiana is responsible for establishing and maintaining internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of Rayville, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted one matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect Rayville Housing Authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule as Audit Finding #02-01.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P.C.
Fort Worth, Texas
January 21, 2003

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Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Governmental Auditing Standards

Housing Authority of Rayville
Rayville, Louisiana

We have audited the financial statements of the Housing Authority of Rayville, Louisiana as of and for the year ended September 30, 2002, and have issued our report thereon dated January 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of Rayville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing a opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. It is audit finding #02-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Rayville. state's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the PHAs ability to record, process, summarize, and report financial data consistent with the assertions of management in the

financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Finding #02-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Mike Estes, P. C.
Fort Worth, Texas
January 21, 2003

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2002

FEDERAL GRANTOR PROGRAM TITLE	<u>CDFA NO.</u>	<u>PROGRAM EXPENDITURES</u>
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	<u>187,282</u>
Section 8 HAP – New Construction	14.182	<u>273,662</u>
Public Housing Capital Fund	14.872	<u>367,000</u>
Total United States Department of Housing and Urban Development		<u>827,944</u>
Total Expenditures of Federal Awards		<u>827,944</u>

Total Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2002

NOTE 1 – GENERAL The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Rayville, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS Federal awards revenues are reported in the Housing Authority's general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 187,282
New Construction	273,662
Capital Fund	<u>367,000</u>
Total	\$ <u>827,944</u>

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS The dollar threshold of \$300,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 98-14, "federal awards" do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act "federal awards expended" threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2002

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There was one reportable condition required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
- iii. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards* to the financial statements.

Audit of Federal Awards

- iv. There was one reportable condition required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed one audit finding which the auditor is required to report under OMB Circular No. A-133, Section .520(a).
- vii. The major federal programs are:

CFDA# 14.850	Public and Indian Housing – Low Rent Program
CFDA# 14.872	Capital Fund
CFDA# 14.182	Section 8 HAP – New Construction
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .520(b) was 300,000.
- ix. The auditee qualifies as a low-risk auditee under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2002

Prior Audit Findings and Questioned Costs

The prior audit report contained three findings, as follows:

- 1) The answer to MASS, Sub-Indicator #1 was incorrect. MASS was correctly calculated this year. This finding is cleared.
- 2) Capital Fund money received was not expended within the required 3 day turnaround. The PHA properly expended Capital Fund money received in the current year. This finding is cleared.
- 3) \$113,018 of cash and investments in excess of the \$100,000 FDIC was not covered by the bank's pledged securities. This was corrected in the current year. This finding is cleared.

Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133, Section .510(a):

Current Audit Findings

Section 8 New Construction

02-01 – Waiting List Not Properly Documented

Statement of Condition

The Section 8 New Construction waiting list did not list the offer dates, dates housed, or the elderly or handicapped preference notation, as provided for in the Administrative Plan.

Criteria

Per the federal regulations, the Waiting List should provide the above information.

Cause

Apparent oversight by the manager of the management company. For the audit, dates housed were obtained from tenant files, and agreed to the date housed per the monthly HUD-52670 report. Application dates were obtained from the tenant files. It appears the program housed in compliance with its Administrative Plan. But, the required information needs to be included on the waiting list.

HOUSING AUTHORITY OF THE CITY OF RAYVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2002

Recommendation

The PHA should include all of the required information on its waiting list.

Corrective Action – Response 02-01

I am R.A. Eubanks, Executive Director, and designated person to answer these findings. We will comply with the above. We note that since year end, the management company has changed the manager and also the supervisor.

PHA: LA105 FYED: 09/30/2002

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$45,221	\$11,999	\$0	\$57,220
114	Cash - Tenant Security Deposits	\$0	\$10,342	\$0	\$10,342
100	Total Cash	\$45,221	\$22,341	\$0	\$67,562
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$6,470	\$6,470
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$154	\$0	\$154
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$154	\$6,470	\$6,624
131	Investments - Unrestricted	\$0	\$131,430	\$0	\$131,430
142	Prepaid Expenses and Other Assets	\$0	\$9,405	\$0	\$9,405
143	Inventories	\$0	\$1,500	\$0	\$1,500
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$7,810	\$0	\$7,810
150	Total Current Assets	\$45,221	\$172,640	\$6,470	\$224,331
161	Land	\$0	\$32,150	\$0	\$32,150
162	Buildings	\$0	\$3,668,010	\$0	\$3,668,010
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$40,107	\$0	\$40,107
164	Furniture, Equipment & Machinery - Administration	\$0	\$45,141	\$8,429	\$53,570
165	Leasehold Improvements	\$0	\$201,467	\$0	\$201,467
166	Accumulated Depreciation	\$0	\$-1,453,761	\$-1,895	\$-1,455,656
167	Construction In Progress	\$0	\$0	\$395,247	\$395,247
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$2,533,114	\$401,781	\$2,934,895
180	Total Non-Current Assets	\$0	\$2,533,114	\$401,781	\$2,934,895
190	Total Assets	\$45,221	\$2,705,754	\$408,251	\$3,159,226

PHA: LA105 FYED: 09/30/2002

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$0	\$5,024	\$0	\$5,024
321	Accrued Wage/Payroll Taxes Payable	\$141	\$2,898	\$0	\$3,039
322	Accrued Compensated Absences - Current Portion	\$129	\$1,043	\$0	\$1,172
331	Accounts Payable - HUD PHA Programs	\$41,095	\$0	\$0	\$41,095
333	Accounts Payable - Other Government	\$0	\$7,788	\$0	\$7,788
341	Tenant Security Deposits	\$0	\$10,342	\$0	\$10,342
342	Deferred Revenues	\$0	\$113	\$0	\$113
347	Interprogram Due To	\$1,340	\$0	\$6,470	\$7,810
310	Total Current Liabilities	\$42,705	\$27,208	\$6,470	\$76,383
354	Accrued Compensated Absences - Non Current	\$1,160	\$9,384	\$0	\$10,544
350	Total Noncurrent Liabilities	\$1,160	\$9,384	\$0	\$10,544
300	Total Liabilities	\$43,865	\$36,592	\$6,470	\$86,927
504	Net HUD PHA Contributions	\$0	\$2,533,114	\$0	\$2,533,114
508	Total Contributed Capital	\$0	\$2,533,114	\$0	\$2,533,114
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
512	Undesignated Fund Balance/Retained Earnings	\$1,356	\$136,048	\$401,781	\$539,185
513	Total Equity/Net Assets	\$1,356	\$2,669,162	\$401,781	\$3,072,299
600	Total Liabilities and Equity/Net Assets	\$45,221	\$2,705,754	\$408,251	\$3,159,226

PHA: LA105 FYED: 09/30/2002

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$0	\$102,777	\$0	\$102,777
704	Tenant Revenue - Other	\$0	\$1,980	\$0	\$1,980
705	Total Tenant Revenue	\$0	\$104,757	\$0	\$104,757
706	HUD PHA Operating Grants	\$273,662	\$187,282	\$0	\$460,944
706.1	Capital Grants	\$0	\$0	\$367,000	\$367,000
711	Investment Income - Unrestricted	\$20	\$4,461	\$0	\$4,481
715	Other Revenue	\$0	\$3,089	\$0	\$3,089
700	Total Revenue	\$273,682	\$299,589	\$367,000	\$940,271

PHA: LA105 FYED: 09/30/2002

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	Total
911	Administrative Salaries	\$12,580	\$46,195	\$0	\$58,775
912	Auditing Fees	\$0	\$4,230	\$0	\$4,230
914	Compensated Absences	\$-133	\$915	\$0	\$782
915	Employee Benefit Contributions - Administrative	\$836	\$23,379	\$0	\$24,215
916	Other Operating - Administrative	\$823	\$22,883	\$0	\$23,706
924	Tenant Services - Other	\$0	\$597	\$0	\$597
931	Water	\$0	\$15,662	\$0	\$15,662
932	Electricity	\$0	\$1,651	\$0	\$1,651
933	Gas	\$0	\$378	\$0	\$378
938	Other Utilities Expense	\$0	\$7,207	\$0	\$7,207
941	Ordinary Maintenance and Operations - Labor	\$0	\$65,371	\$0	\$65,371
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$22,188	\$0	\$22,188
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$16,707	\$0	\$16,707
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$25,997	\$0	\$25,997
961	Insurance Premiums	\$0	\$27,461	\$0	\$27,461
963	Payments in Lieu of Taxes	\$0	\$7,788	\$0	\$7,788
964	Bad Debt - Tenant Rents	\$0	\$87	\$0	\$87
969	Total Operating Expenses	\$14,106	\$288,696	\$0	\$302,802
970	Excess Operating Revenue over Operating Expenses	\$259,576	\$10,893	\$367,000	\$637,469
971	Extraordinary Maintenance	\$0	\$2,281	\$0	\$2,281
973	Housing Assistance Payments	\$259,176	\$0	\$0	\$259,176
974	Depreciation Expense	\$0	\$141,479	\$1,895	\$143,374
900	Total Expenses	\$273,282	\$432,456	\$1,895	\$707,633

1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$400	\$-132,867	\$365,105	\$232,638

PHA: LA105 FYED: 09/30/2002

Line Item No.	Account Description	N/C S/R Section 8 Programs	Low Rent Public Housing	Public Housing Capital Fund Program	Total
1101	Capital Outlays Enterprise Fund	\$0	\$0	\$0	\$0
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$956	\$2,802,029	\$36,676	\$2,839,661
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0
1114	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$320,289	\$0	\$0	\$320,289
1115	Contingency Reserve, ACC Program Reserve	\$264,192	\$0	\$0	\$264,192
1116	Total Annual Contributions Available	\$584,481	\$0	\$0	\$584,481
1120	Unit Months Available	960	1,200	0	2,160
1121	Number of Unit Months Leased	915	1,195	0	2,110